Focus on editorial: Computer graphics: What they can and can't do
Measuring editorial performance □ Society of Publication Designers Awards
Circulation strategy: Giveaway copies □ Preparing effective sales presentations

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THE MAGAZINE FOR MAGAZINE MANAGEMENT

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THE MAGAZINE FOR MAGAZINE MANAGEMENT

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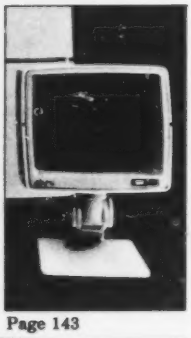

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By Howard S. Rauch

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monthly leasing fee.

Which route proves less expensive depends on the amount of data the publishing company has to send, and the speed with which the company's computer equipment can transmit. Taken together, those two factors determine how much telephone time is needed to send the information over regular direct-dial lines, and thus, the cost. Publishers using private lines are re-evaluating that choice by comparing those time-based charges for sending data over regular telephone lines with the cost of leasing a private line. "It's a tradeoff," explains an executive at a large trade publishing company. "A lot of publishers use dial-up lines."

Small magazines can respond quickly to the marketplace

Wakefield, Mass.—One advantage small magazines can have over their larger competitors is an ability to respond quickly to the marketplace, just because they are so small, says Terry Driscoll, publisher of *Horticulture*. This ability is part of the small publisher's responsibility to continuously seek out and refine a publication's positioning in its market, he adds.

Speaking at a recent conference conducted by the Small Magazine Publishers Group, Driscoll, who in 1982 served as general manager at *Inside Sports*, said, "Special interest publications have opportunities to do things that *Inside Sports* and other publications owned by large corporations can't do. As a small publisher, you can respond very quickly to the marketplace."

Driscoll also recalled his days as publisher from 1977 to 1982 of *WoodenBoat*. "We didn't sit down and say, 'Let's position a magazine,'" he said. "There's no easy way to do it. Positioning is a continuing process. You have to be ready to do it on a daily basis."

He said he and others who worked at *WoodenBoat* in its early days realized that they were not starting a publication in a vacuum and that there were other publications in the market. "We began as an anti-modern publication and then began to identify the holes in the yachting literature," he explained.

Driscoll puts no stock in formal subscriber studies when positioning a magazine. Instead, to keep in touch with the field, he has *Horticulture*'s editors call 10 readers a week, has them answer reader service phones and readers' letters. He said he also makes sure editorial and advertising staffs communicate with each other, so that editors know how advertisers respond to the magazine and so that advertising staff members can find out how readers respond. "It's a way to inform your intuition," Driscoll said.

Continuing his talk on positioning, the publisher also discussed ways to impress national manufacturers enough to advertise in a special interest magazine. At *WoodenBoat*, he said, discounts on advertisements were offered to wooden boat builders so that manufacturers of nautical equipment would see the ads and realize there were hundreds of boat builders to whom they could sell.

Horticulture runs lists of garden centers that sell the magazine, he said. The lists are ostensibly run as a service to readers, but their more important function is to show national distributors of garden supplies that the magazine has something to say to garden centers, which are the distributors' potential customers. This helps convince distributors to advertise.

In the same vein, Driscoll said, *Horticulture* seeks to establish itself as the authoritative title in its field in part by promoting subscriptions to garden club members. Garden club members not only buy a lot of garden products themselves, but also influence the purchases of other consumers who go to them for advice.

"Positioning your magazine may take three times longer than you think," Driscoll said. "Positioning is a process of integrating where you want to go editorially, where you want to go with marketing, and your money constraints."

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302 of Folio:400 magazines show revenue gains

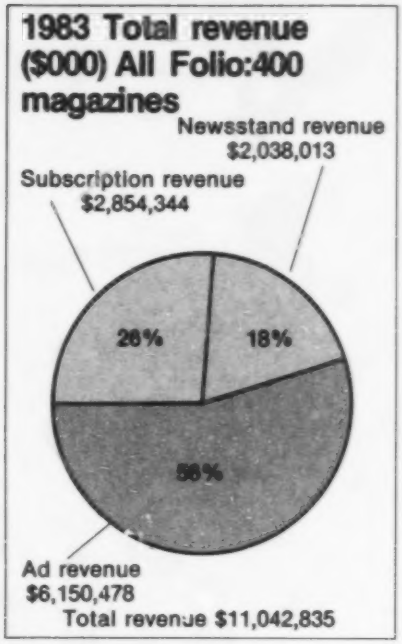
New Canaan, Conn.—"The good times are rolling" for magazines, states The Folio:400 introduction. Indeed, the figures document a good 1983 for business and consumer magazines by many measures.

Of the 400 magazines measured, 302 gained in total revenue over the previous year. In 1982, the 400th-largest magazine had a total revenue (advertising and circulation) of $3.6 million; in 1983, the figure rose to $4.1 million.

Circulation was up for 235 of the magazines. Single-copy sales did not keep up with other indicators, however. Less than half of the publications with single-copy distribution registered gains (99 out of 227).

Total revenues for 1983 for all Folio:400 publications vaulted over the $11 billion mark, up 11 percent over the 1982 figures reported in last year's 400. This is both the highest dollar volume and percent increase ever reported in the six years The Folio:400 has been published.

Gains are attributed largely to ad



revenue increases. Ad revenue jumped 14 percent in 1983 over 1982 to $6.2 billion. Ad revenues now generate 56 percent of Folio:400 publications' total revenue. Ad pages rose 5 percent to just over 540,000.

Circulation's contribution to total revenue dropped slightly between 1982 and 1983, from 46 percent to 44 percent.

[This is contrary to the trend noted in the MPA/Price Waterhouse study (*see* FOLIO: *September 1984, page 5*), which showed circulation gaining over advertising as a percentage of total revenue, reaching more than 50 percent of the total for the first time.]

The contribution of subscription dollars increased 11 percent. Subscriptions continue to represent 26 percent of the total revenue pie.

Newsstand dollars, almost entirely from consumer magazines, have grown more slowly (up 3 percent) to just over $2 billion in 1983. They have dropped from a high of 22 percent in total revenues in 1981 to a new low of 18 percent.

Consumer magazines saw a 15 percent hike in ad revenues and a 10 percent boost in ad pages over 1982. The 256 consumer magazines had an impressive 11 percent total revenue increase.

Circulation revenues, now $4.7 billion, are also on the upswing, though at a slower pace. Subscription revenues were up 11 percent and single-copy sales up 3 percent.

Business publications experienced a 10 percent gain in total revenues in 1983, rising to $1.4 billion. Although accounting for only 5 percent of total Folio:400 circulation, the 144 business publications are responsible for 12 percent of total revenues.

Foundation to promote students' awareness of business press formed

New York City—A new, non-profit foundation that will aim to increase awareness of, and interest in, business journalism on the part of journalism students has opened an office and begun researching how it might best achieve its goals.

Spearheaded by Harold W. McGraw Jr., chairman of the board of McGraw-Hill Inc., the foundation is to work to increase awareness of the business press through internships, visiting lecturers, seminars and descriptive literature. The foundation is also planning to encourage and assist schools of journalism to develop and teach courses on the specialized editorial and business aspects of business journalism.

Frank C. Taylor, most recently bureau chief for South America at McGraw-Hill's World News division, is serving as executive director of the foundation. In a recent interview, Taylor noted that traditionally the business press has not been given much attention in journalism schools. Taylor went on to say that he and his assistant have started their work by investigating the training programs and internships already existing at magazine publishing companies and at colleges and the training needs of business publications. The foundation's board of directors, chaired by McGraw, will use the information to decide what existing programs the foundation should support and what new programs it should initiate.

In the future, Taylor said, the foundation may also support training programs designed for persons already working on business publications who have expertise in their publication's area of interest, but who need instruction in editing and writing.

Initial funding of $250,000 for the foundation was pledged by McGraw.

The board of directors of American Business Press Inc. (ABP) has voted to support and cooperate with the new foundation, which has opened its office in the same building as ABP, at 205 East 42nd Street in New York City. However, there is no formal link between the two organizations.

Small publishers should use lawyers as business advisers, attorney says

Wakefield, Mass.—A small magazine publisher should not look at a lawyer just as a lawyer, but should use him or her as a business adviser, says Howard Teich, an attorney based in New York City, who for four and a half years starting in 1974 was a co-founder, associate

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publisher and secretary treasurer at *Firehouse*.

Teich told an audience at the recent Small Magazine Publishers Group conference that using a lawyer for pure legal advice was not enough. "Think of your lawyer as an adviser, not just a lawyer," he said.

For a publisher, particularly a publisher involved in the risky business of starting a magazine, a relationship with a good publishing lawyer can more than pay for itself, Teich claimed.

After the conference, Teich explained that it might seem that because a small publisher usually does not get involved in court litigation, he or she doesn't need the services of a lawyer. In reality, however, a lawyer with publishing knowledge can help with the law-related aspects of a publisher's day-to-day business.

Teich listed for his audience some ways a small magazine publisher could use a lawyer:

•For help with wording on contracts with suppliers and with financial backers. Good written agreements, Teich said, help prevent future litigation.

•For advice on drawing up employment agreements with employees. Again, he said, such agreements head off any future misunderstandings.

•For advice on copyright laws and on how to word agreements regarding publishing rights with freelance writers.

•For help in negotiations on a contract.

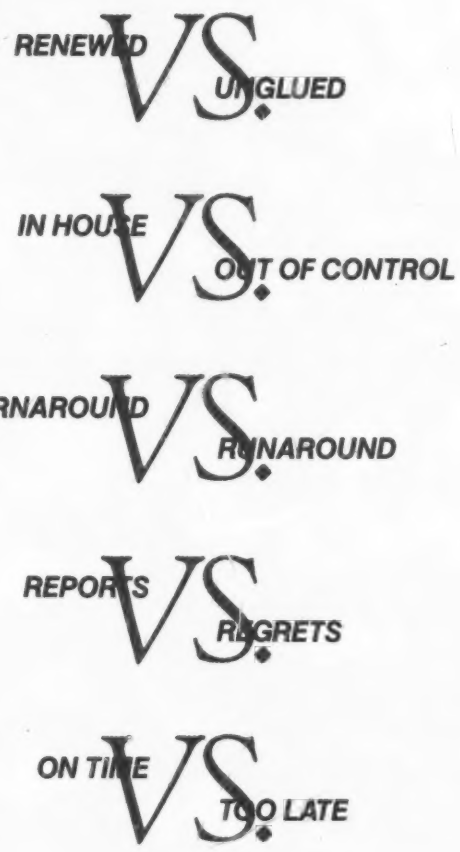
•As a way to head off a court suit before it starts. A strong, firm letter written by a lawyer and sent to a party with which a publisher has a dispute, Teich said, can prompt the needed action or get a past-due bill paid without the expense of a court case.

Magazine employment increases by 36% while receipts soar

Washington, D.C.—Total employment, receipts and expenditures increased dramatically for the magazine industry between 1977 and 1982, according to a new report released by the United States Department of Commerce, Bureau of the Census. Industry receipts, the report states, increased by 93 percent, jumping from $5.5 billion in 1977 to $10.7 billion in 1982.

The report is based on the 1982 Census of Manufactures, one of a series of such censuses taken every five years. All dollar figures given are at prices current for the year specified and therefore are unadjusted for changes in price levels due to inflation.

Census officials also noted that



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statistics were tabulated in two ways: by industry and by product. Industry figures include the expenditures on both magazine and non-magazine products of companies whose primary business is magazine publishing, but which may also have secondary non-magazine products. Also, while the industry figures include some expenditures on non-magazine products, they in many cases do not include the magazine-related expenditures of companies, such as book publishers, that publish magazines only as a sideline.

Product statistics, on the other hand, include only receipts actually derived from magazines and include all magazine receipts regardless of whether they were collected by a magazine company or a company in some other business that publishes magazines.

According to an industry table in the report, in 1982 the industry employed 95,100 persons compared with only 69,900 workers in 1977—an increase of 36 percent—while the total payroll jumped to almost $2 billion in 1982 compared with a payroll in 1977 of about $1 billion. New capital expenditures in the industry were up 167 percent, rising from $78.9 million in 1977 to $210.9 million in 1982.

Expenditures on materials, parts and supplies in 1982 were $1.8 billion, up 92 percent from the $937.6 million spent in 1977. Census officials said, however, that the figures on materials, parts and supplies are probably somewhat inaccurate because of the complex arrangements magazine publishers have with printers concerning the purchase of such items as ink and paper. Some publishers in confusion may have neglected to report certain materials they purchased because they believed the materials to be their printers' supplies only, census officials say.

Based on tables in the report that covered total product statistics, specialized business and professional periodicals had increases in subscription and sales receipts of 105 percent, to $953.5 million and in advertising receipts of 94 percent, to $1.6 billion during the five-year period. General and consumer magazines in 1982 had subscription receipts that had increased 69 percent to $1.6 billion, single-copy receipts that were up 33 percent to $923.5 million and advertising receipts that had increased 99 percent to $3.2 billion.

There were 3,126 magazine publishing companies in 1982, compared with only 2,860 such companies in 1977.

'Computer mystique' impresses local bank

More uses are being found every day for the personal computer, but Rick Rector, publisher of *Down East*, has found that just the mystique surrounding the computer can be used to snow a friendly neighborhood banker into giving a magazine a loan.

At a recent conference sponsored by the Small Magazine Publishers Group, Rector said his bank, like most local banks, doesn't have anyone on staff who really understands the magazine business. Officers at small banks only see the financial risks involved in magazine publishing, Rector said.

"But as soon as you pull out the computer spreadsheets, you're immediately credible. People think computers don't lie," Rector explained.

Speaking somewhat tongue-in-cheek, before an audience of small-magazine executives, who generally are starved for cash, Rector added that it doesn't particularly matter what the computer sheets say.

"With a computer," he said, "you can get away with things you wouldn't normally get away with."

Receipts of United States magazine industry

	1982($)	1977 ($)	% change
Total for industry*	10.7 billion	5.5 billion	+ 93%
Specialized business and professional periodicals			
Subscriptions	953.5 million	464.2 million	+ 105
Advertising	1.6 billion	850.2 million	+ 94
Total	2.6 billion	1.3 billion	+ 96
General and consumer periodicals			
Subscriptions	1.6 billion	966.0 million	+ 69
Single-copy sales	923.5 million	692.9 million	+ 33
Advertising	3.2 billion	1.6 billion	+ 99
Total	5.7 billion	3.3 billion	+ 76

*Includes other categories not listed

Source: United States Department of Commerce, Bureau of the Census

The new process allows the magazine to save time and money on prepress preparations, he said, although he declined to say just how much money was being saved. He also noted that the new process allows the magazine to achieve high-quality reproduction using relatively inexpensive paper.

Print buyers rate production quality as highest criterion

St. Paul, Minn.—Production quality is the most important factor to magazine print buyers when they are choosing a printer, followed by dependability and competitive cost, according to a survey conducted for The Webb Company. Eight in 10 print buyers rate production quality as a very important factor in choosing a printer, while slightly less than eight in 10 say dependability is a very important factor in choosing a printer. Nearly seven in 10 rate competitive cost as a very important factor. (See Table One.)

According to the survey, done by Mid-Continent Research Inc., and based on responses from 185 magazine print buyers, sales representatives are thought to be the most informative source of information on printing companies, whereas trade shows are the least informative source. About one in six of the print buyers said that trade publication advertising is the most informative source of information.

Magazine print buyers said that quality control is the one service or capability they would like their printers to improve on in the coming year. Just under one in 10 rated quality control as the one service their printer could improve on, whereas 4 percent each of the respondents said prices or speed/turnaround time were the one thing they would like to see improved.

Six out of 10 magazine print buyers said that economical/competitive price was one of the two most important reasons for continued use of a printer, whereas almost as many rated quality/consistency as one of the most important reasons. (See Table Two.)

Of the print buyers surveyed, 50 percent had been with their current printer for more than five years, 21 percent for from two to five years, 15 percent for from one to two years and 14 percent for under a year.

Table 1

What is the relative importance assigned to certain factors when you choose a printer for your publication?

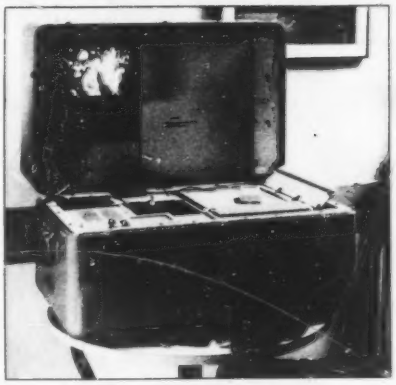
Magazine print buyers answer:	Very Important
Production quality	81%
Dependability	77
Competitive cost	69
Quality of customer service	63
Technical capabilities	58
Delivery speed	55
Location of distribution facilities	44
Location of printer	35
Ability to supply paper	32

Table 2

What are the two most important reasons you continue to use your printer?

Magazine print buyers answer:	Very Important
Economical competitive price	59%
Quality/consistency of quality/expertise	56
Good service	29
Reliability	7
Physical location	7

Source: The Webb Company/Mid-Continent Research Inc.



The portable, 110-pound Satlight scanner is being pitched to newsweeklies and newspapers, which need quick delivery of color photos shot in distant locales.

Portable scanner can transmit color photos from site of news event

Bedford, Mass.—If a weekly magazine on the East Coast wants to cover a late-breaking news event on the West Coast with color photos, it usually means the photographer's film has to be rushed to an airport in time to catch a five-hour transcontinental flight headed East. Now, however, Scitex America Corp., is marketing a portable digital scanner that the photographer can take to the site of the news event and use to transmit a color image back to the home office in a matter of seconds.

The new Satlight scanner weighs about 110 pounds, is about the size of a footlocker and is targeted for use by newsweeklies and newspapers. *USA Today* is the first to order the scanners; at press time both *Newsweek* and *Time* reportedly were still evaluating the device. A Satlight was set up for demonstrations this past summer at the two major political conventions and at the Olympics.

To use the system, a photographer loads his developed 35 millimeter film in the Satlight and checks the images on a 10-inch diagonal color monitor screen. By using a modem to link the scanner with telephone lines, the photographer can then transmit a selected image to Scitex receiving equipment at or near the photographer's home office / production facility. Gary Moore, director of sales of advanced projects at Scitex, claimed it takes the photographer about five minutes to learn how to use the system.

Ray Douglas, systems director at *USA Today*, said his paper used several pictures transmitted from the conventions and the Olympics using Scitex' demonstration machine.

"We've had some successes and

discount off the piece charge of .03 cents for each percent of editorial content for a periodical with 50 percent editorial.

"The effect of the special discount is to reduce the differential between heavy and light publications," Carpenter explains. Before the Rate Commission decision, the effect of the rate proposals on different publications could have varied from zero to 30 percent. Now, with the PRC changes, the amount of variation is reduced to between 5 percent and 25 percent, he estimated. For instance, before the changes proposed, a very heavy magazine might have had a minuscule rate increase—of 1 percent, say—whereas a light-weight publication with little advertising could have suffered increases of from 30 percent to 32 percent, he explained. Now the extent of those differences has been somewhat abated.

So, although in the Rate Commission decision, the piece rate is increased by 1.6 cents for all levels of sortation, those rates are discounted by three mills for each 1 percent of editorial content. A publication with, say, 40 percent editorial and 60 percent advertising will pay a higher piece rate with the new proposal, but will achieve a discount on that piece rate, based on its editorial content, mitigating the effect of the increase. A publication with heavy advertising may be "slightly impacted" by the decision, which favors publications with heavy editorial content, Carpenter explained.

Overall, the editorial pound rate was lowered by the PRC to 11.8 cents, compared with 12.0 cents proposed by the USPS. The advertising pound rates for Zones One and Two were lowered by the PRC, to 15.8 cents, down from 16.0 cents proposed by the USPS. The other zones received slight increases from the USPS proposed rates.

The lessened differences in pound rates by zone, implemented by the USPS in its proposal and left relatively unchanged by the PRC, may reduce the attractiveness of dropshipping to a number of entry points, Carpenter said. (*See* FOLIO: *May 1984, page 25.*) In the current schedule, rates vary from 17 cents to 38 cents from Zones One to Eight," he says. "With the new proposals, the variation is from 16 to 28—there's a smaller spread between zones, so there will be less inclination to travel mail to a point closer to its destination. It will be just as cost-efficient to have the Postal Service truck the mail."

One important fact to note, a postal source said, is that although the overall rates for second class increased by 14 percent, the actual increase suffered by publications will vary considerably, based on a number of vari-

(Continued on page 56)

64% of consumer magazines gain circ in first half of 1984

Schaumburg, Ill.—Just under two thirds (64.4 percent) of consumer magazines offering figures for comparison gained circulation in the first half of 1984 compared with the same period in 1983, according to a FOLIO analysis of an Audit Bureau of Circulations Fas-Fax report.

Of the 458 U.S., Canadian and foreign magazines that reported figures for the two halves, 295 reported circulation increases for the six months ended June 30, 1984, and 158 (34.5 percent) reported decreases. Five showed no change.

This is a slight improvement over the 62 percent of publications that showed circulation gains for the first half of 1983 compared with the first half of 1982, but it is slightly down from the 67.5 percent registering circulation gains in the second half of 1983 compared with the second half of 1982.

Among the categories of magazines, there was some slowdown of the big circulation gains in the computer magazine field. *Compute!* had the highest gain, of 104.4 percent, but this was down from its increase for the last half of 1983, of 247.1 percent. Similarly, *Personal Computing*, which had the second-highest circulation increase (106 percent) during the last half of 1983, had only a 39.2 percent gain during the first half of 1984 compared with that of 1983. Other computer magazines had smaller gains as well—12.3 percent for *Byte*, compared with a 33.5 percent gain registered in 1983's second half; and a 24.3 percent gain for *Popular Computing*, compared with a 67.4 percent circulation gain in the last half of 1983. Two computer magazines actually reported declines in circulation—*80 Micro*, down 4.4 percent, and *Microcomputing*, down 22.1 percent, in the 1984 first half compared with that of 1983.

In other categories of magazines, there was continued erosion of the men's entertainment magazines: *Penthouse* dropped 7.3 percent in circulation; *High Society*, 1.5 percent; and *Playboy*, 1.1 percent in the first half of 1984 compared with that period in 1983.

Most of the cuisine magazines had a good half in circulation, however, with *Connoisseur* registering a 66.9 percent increase, *Cook's Magazine* up 38.4 percent, *Food & Wine* up 14.2 percent and *Gourmet* up 5.3 percent. *Bon Appetit* showed no change.

Among the newsweeklies, *Time* had the poorest showing, with a 1.9 percent fall-off in circulation for the first half, while *Newsweek* had a 0.5 percent gain and *U.S.News & World Report*, a 0.1 percent gain. *Time* and *Newsweek*'s Latin American editions suffered some circulation lapses, with *Time*'s edition off 16.1 percent in circulation and *Newsweek*'s off 4.1 percent.

Of the seven sisters magazines, all but one had circulation setbacks: *Redbook* showed a 1.5 percent gain, but all the others had losses—*Better Homes*

Leading 20 magazines by total paid (per issue averages for six months ended June 30, 1984)

	Publication	First half 1984	% change from first half 1983
1	*Reader's Digest*	18,012,397	—1.6
2	*TV Guide* (USA)	17,345,473	0.4
3	*National Geographic*	10,202,854	—1.5
4	*Modern Maturity*	9,887,549	12.1
5	*Better Homes & Gardens*	8,003,399	—0.2
6	*Family Circle*	7,003,508	—4.1
7	*Woman's Day*	6,858,487	—1.3
8	*McCall's*	6,224,408	—0.8
9	*Good Housekeeping*	5,296,527	—2.3
10	*Ladies' Home Journal*	5,123,096	—1.5
11	*National Enquirer*	4,713,164	—7.1
12	*Time*	4,630,867	—1.9
13	*Playboy*	4,202,324	—1.1
14	*Redbook*	3,939,355	1.5
15	*Star*	3,800,123	—5.9
16	*Penthouse*	3,200,014	—7.3
17	*Newsweek*	3,037,277	0.4
18	*Prevention*	3,034,503	15.7
19	*Cosmopolitan*	2,987,970	0.1
20	*Sports Illustrated*	2,899,806	7.8

Source: Audit Bureau of Circulations

& Gardens (-0.2 percent), *Family Circle* (-4.1 percent), *Good Housekeeping* (-2.3 percent) *Ladies' Home Journal* (-1.5 percent), *McCall's* (-0.8 percent) and *Woman's Day* (-1.3 percent).

Some of the other women's magazines had better showings, although *Cosmopolitan* registered only a 0.1 percent gain. *Glamour* was up 3.9 percent, *Mademoiselle* up 4.5 percent, *Vogue* up 2.1 percent, while *Working Woman* had a 15.4 percent gain and *Working Mother* a 24 percent gain. *Savvy* was up by 5.4 percent, *Self* up by 0.4 percent, *New Woman* up by 0.6 percent, while *Ms.* registered a loss of 5.4 percent.

The teenage magazines did quite well, with *Super Teen* showing a 45.9 percent gain, *16 Magazine* up by 26.9 percent, *Seventeen* up 11.3 percent, and *Young Miss* up 10.3 percent. *'Teen* suffered a loss, however, of 1.4 percent.

Shelter magazines continued their circulation gains, with *Country* up 55.7 percent, *Country Living* up 31.9 percent and *Town & Country* up 8.2 percent.

Science publications had a mixed bag of circulation results: *Geo* was up 14 percent, *Discover* was up 6.3 percent and *Science Digest* was up 8.1 percent, while *National Geographic* was off 1.5 percent, *Popular Science* and *Science* each off by 2.2 percent and *Science '84* off by 0.5 percent.

Among the business magazines, the big magazines showed only slight increases: *Fortune* up 1.4 percent, *Forbes* up 1.1 percent, *Business Week* (worldwide) up 0.1 percent, while *Business Week* (North America only) had a 0.4 percent decline. *Barron's* was also down, by 2.6 percent. Others of the business magazines had good gains, however: *Financial World* up 10.2 percent, *Nation's Business* up 12.7 percent, *Venture* up 15.4 percent, *Inc.* up 25 percent and *Money* up 16 percent.

Regional business magazines made a pretty strong showing as well, with *Pittsburgh Business Times* leading the group with a 14.4 percent gain, followed by *St. Louis Business Journal*, with 12.8 percent; *California Business* with 12.3 percent; *Indianapolis Business Journal* with 9.5 percent; and *Texas Business* with an 8.9 percent gain. Only *Philadelphia Business Journal* was off, by 2.8 percent.

Among city magazines, *Denver* had the strongest gain, of 56.9 percent, while *Nashville!* had the poorest, down 28.1 percent.

Biggest circulation gainers in all categories were *Compute!*, up 104.4 percent; *Circus*, up 95.8 percent; *Pro Bass*, up 89.2 percent; and *TV Movie Screen*, up 89.1 percent.

Biggest loser in circulation, among U.S. magazines, was *Lady's Circle*, off 30 percent, followed by *Nashville!*, off 28.1 percent and *Grit*, off 26.5

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percent. *House & Garden*, which during the 1983 last half comparison was the worst loser in circulation overall, down 41.5 percent, lessened its losses, turning in a 25 percent drop in circulation this half.

Of the top 10 magazines in total circulation, only two showed increases: *TV Guide* (USA), with a minimal 0.4 percent increase, and *Modern Maturity*, with a 12.1 percent gain. The same top 10 kept their previous positions in the ranking, however.

Making the top 20 are the two major newsweeklies, *Time* and *Newsweek*, and the top two men's sophisticates, *Playboy* and *Penthouse*. The best showing in the top 20 magazines by total circulation was *Prevention*, which had a 15.6 percent circulation gain in the first half of 1984.

Paid subscriber rule for second class rates judged illegal; USPS appeals

Washington, D.C.—The United States Postal Service (USPS) has asked a United States Court of Appeals to overturn a lower court decision declaring its "paid subscriber" rule unconstitutional. That rule requires that 51 percent of a publication's circulation be paid subscribers (or requestors) in order for it to qualify for second class mailing privileges. Should the case ultimately go to the Supreme Court and the USPS lose, the distinction between second class and third class rates could blur, resulting in higher rates for all second class mailers, suggests a postal spokeswoman.

The challenge to the rule came from *The Enterprise*, a newspaper distributed free and unsolicited to all 16,285 homes and businesses in Franklin County, Tennessee. The USPS said *The Enterprise* was ineligible for second class mailing privileges because paid subscribers do not account for at least half of its circulation, nor do at least 51 percent of its readers request that the paper be mailed to them—the so-called "requestor rate" category under which controlled circulation publications generally fall. Not fitting into one of the two categories, it could not qualify for the second class mailing rate.

Publisher Ron Bailey sued USPS in January, claiming that a rule that gives favored treatment to publications with paid subscribers over those delivered free violates First Amendment rights to freedom of press and the Fifth Amendment equal protection clause. A Federal Court judge in the Eastern District of Tennessee agreed with Bailey's contention and ordered USPS to charge *The Enterprise* second class in-county rates. The USPS has appealed the decision to the Sixth Circuit U.S. Court of Appeals, where the case is pending.

If the Court of Appeals lets stand the earlier decision, it technically will hold only for *The Enterprise*, but the ruling would set a precedent and encourage challenge of the postal regulation in other districts. The case could eventually go to the Supreme Court, and if the USPS loses there also, the effect could be significant, a postal spokeswoman admitted, because other free publications now being charged third class postage could ask to be granted second class status and thus pay a lower rate.

According to Bailey, there are hundreds of publications similar to his that have paid third class postage without question; he said that many more publishers will choose to deliver free if they can use second class rates.

A USPS spokeswoman said that, should the case go to the Supreme Court and the lower court decision stand, the Postal Service theoretically would face the burden of having to "scrutinize all free publications that would want to migrate from third class to second class mailing" to determine whether they passed the standards necessary to qualify as newspapers or magazines, including that of having no more than 75 percent advertising.

Practically, she said, the first effect of eliminating the 50 percent paid-subscriber rule would be to make it easier for a publication to qualify for second class treatment. If they no longer had to pass the 50 percent paid rule, publications that previously had paid third class rates, such as free shoppers, might try to get into the lower second class rate category by adding "editorial" to meet the 25 percent editorial/75 percent second class advertising requirement.

As a consequence, a major difference between second and third class mail, as seen by the Postal Service—the educational and literary value of second class mail (which prompted Congress to give it a rate break in the first place)—could be diminished, blurring the lines between second and third class mail.

In addition to diminishing the educational merit argument of lower rates for second class, the heavier flow of mail into second class also could have the effect of increasing its rates. With more second class mail coming in, the costs for handling it would increase, and with the Postal Service' close scrutiny of "attributable costs," could end up raising rates for second class, she suggested.

The contention that second class rates could rise if *The Enterprise* is successful is realistic, agreed Chapin Carpenter, Magazine Publishers Association vice president/Washington affairs.

The USPS was asked to file its legal briefs before the Court of Appeals by late last month.

Bolger says regulations requiring mail permit audits should be scuttled

Washington, D.C.—If outgoing United States Postmaster General William F. Bolger had his way, inequities caused by how second class mail permit audits are conducted wouldn't be corrected by changing the audit regulations, but rather by throwing the regulations and the audits out altogether.

Speaking at a luncheon at a recent circulation workshop sponsored by the Business Publications Audit of Circulation (BPA), Bolger said, "As far as I'm concerned, we don't need any audit at all. I don't care if your subscribers pay for their subscriptions or not."

The postmaster's comments came in response to a question from a member of his audience as to whether it was fair that publications in rural areas had to endure a postal audit every year, whereas publications in large cities with busier postal officials only had to go through the audit process once every three years. Admitting the questioner's point may be a valid one, Bolger, who is stepping down as Postmaster General at the end of the year, went on to ask why the USPS had to conduct any audits at all.

In the past, he said, there was a need to limit who could receive a second class permit because the publishing industry didn't want too many people taking advantage of the heavily-subsidized second class rates. Now, however, second class mail pays its own way, Bolger explained.

Asked afterward to comment on Bolger's remarks, Bishop Nowotnik, dis-

The United States Postal Service should re-examine its regulations to see if they are really needed, outgoing PMG William F. Bolger said at a recent BPA luncheon.

PHOTO BY TED SCALA

Circulation/Single-copy

55% of magazines report single-copy sales declines

Schaumburg, Ill.—More than half of the U.S. consumer magazines reporting single-copy sales figures for the first half of 1984 showed sales declines, according to a FOLIO analysis of an Audit Bureau of Circulations Fas-Fax report.

This was the same percentage of magazines, 55 percent, that reported declines in single-copy sales from the first half of 1983 compared with that period in 1982. It was also the same percentage reporting declines as in the second half of 1983.

Of the 375 U.S. consumer magazines providing figures for comparison, 206 reported declines, 168 reported increases in circulation and one reported no change.

The men's entertainment magazines all reported declines, with *Penthouse* off the most (-7.7 percent), followed by *Cheri* (-3.5 percent), *High Society* (-1.5 percent), *Gallery* (-0.5 percent), and *Playboy* (-0.1 percent).

Among the women's magazines, *Savvy* showed the biggest increase in single-copy sales, 21.9 percent, followed by *Ms.*, with a 15.1 percent increase. *Ladies' Home Journal* and *Mademoiselle* both posted 9.4 percent increases in single-copy sales. The largest drop in single-copy sales for the first half was turned in by *Working Mother*, which had a 30.6 percent decline, followed by *Better Homes and Gardens*, which dropped 10.3 percent; *Self*, down 6.7 percent; and *Family Circle*, down 5.5 percent.

Teenage magazines had a mixed bag of results, with two showing increases—*Superteen*, up 45.9 percent and *16 Magazine*, up 26.2 percent—and three decreases—*Young Miss* (-14.3 percent), *Teen* (-9.7 percent) and *Seventeen* (-5.6 percent).

Most of the business magazines posted solid single-copy increases: *Financial World*, up 36.9 percent; *Inc.*, up 26.5 percent; *Money*, up 15.8 percent; *Forbes*, up 10.2 percent. *Fortune* had a smaller increase, of 3.6 percent, as did *Business Week* (worldwide) with 3.3 percent. *The Economist* (-7.3 percent); *Barron's* (-3.5 percent) and *Venture* (-0.1 percent) showed losses.

Leading 20 magazines by single-copy sales (per-issue averages for six months ending June 30, 1984)

	Publication	Single-copy sales 2nd half 1984	% change from first half 1983
1	TV Guide (USA)	5,732,581	—6.2%
2	Family Circle	5,801,372	—5.5
3	Women's Day	5,788,854	—1.7
4	National Enquirer	4,251,003	—7.5
5	Star	3,447,704	—5.9
6	Penthouse	3,005,010	—7.7
7	Cosmopolitan	2,724,240	—1.8
8	Playboy	1,902,704	—0.1
9	Globe	1,877,842	—6.1
10	Good Housekeeping	1,548,722	—5.8
11	People Weekly	1,396,321	1.5
12	Glamour	1,487,104	7.9
13	Ladies' Home Journal	1,001,451	9.4
14	National Examiner	989,308	4.0
15	Reader's Digest	937,500	—5.3
16	Weekly World News	854,617	11.1
17	Mademoiselle	829,462	9.4
18	McCall's	709,412	6.9
19	Vogue	691,758	6.8
20	Life	651,089	—9.4

Source: Audit Bureau of Circulations

All three newsweeklies posted declines in single-copy sales: *U.S.News & World Report* down 15.2 percent, *Newsweek* down 13.9 percent and *Time* down 8.9 percent.

All three of the tabloids had decreases also: *National Enquirer* down 7.5 percent, *Globe* down 6.1 percent and *Star* down 5.9 percent.

One category showing good increases was shelter magazines: *Country Magazine* had single-copy sales increases of 51.5 percent, *New Shelter* was up by 38.6 percent, *Country Living* up by 23.9 percent and *Town & Country* up 5 percent.

Only one of the science magazines had a large increase: *National Geographic*, whose single-copy sales soared by 2,997.5 percent. Only other title with an increase was *Science Digest* up 2.1 percent. The others all showed declines: *Geo*, down 38.3 percent; *Omni*, down 29 percent; *Science '84*, down 3.7 percent; and *Discover*, down 4.8 percent.

Among the food magazines, *Cook's Magazine* had the highest increase, of 57.3 percent, followed by *Food & Wine* at 19.4 percent and *Connoisseur* at 12.2 percent. Poor showings were turned in by *Bon Appetit* and *Gourmet*, both down by 19.3 percent, and *Cuisine*, down 12.4 percent.

Among city magazines, *Indianapolis Monthly* had the strongest increase in single-copy sales, up 28.1 percent, while *Phoenix* had the biggest drop, down 53.5 percent.

There were actually as many declines as increases in the single-copy sales of computer magazines, a real slump following previous periods of continued growth in such sales. *Compute!* had an 81.7 percent increase in single-copy sales for the first half of 1984 compared with that of 1983, but this was considerably less growth than the huge single-copy sales increase of 236 percent during the last half of 1983 compared with that of 1982.

Similarly, *Nibble*, which had an 81.2 percent increase in single-copy sales during the 1983 last half, showed

a decline in single-copy sales for the first half of 4.1 percent. Other computer magazines with declines in single-copy sales include *Portable Computer*, down 5.3 percent; *Computers & Electronics*, down 18.1 percent; *Microcomputing*, down 10.5 percent; *80 Micro*, down 5.9 percent; and *Popular Computing*, down 1.4 percent. *Popular Computing* had a 79.2 percent increase in single-copy sales in the 1983 last half.

Other computer magazines had increases: *inCider*, up 47.8 percent; *Byte*, up 10.7 percent; and *Personal Computing*, up 1.6 percent.

Not one of the 10 leading magazines in single-copy sales posted an increase for the first half of 1984 compared with that of 1983. All posted losses. The figures were much better for magazines 11 through 20, with only two of these posting losses, and the rest single-copy gains.

Strong dollar causes plunge in foreign sales of U.S. magazines

New Canaan, Conn.—Newsstand sales of U.S. publications abroad have dropped alarmingly in the past two years because the strength of the dollar against foreign currencies is making American magazines unaffordable, industry sources say.

"We're getting closer to the breaking point," says Alan Pardo, president of distributor Boarts International, "where the reader at the other end can't justify purchasing the magazine, and the publisher at this end won't be able to delay increasing the price of his magazine."

Pardo, whose company distributes 120 titles in nearly 100 countries, estimated that single-copy sales of American-edition magazines abroad have fallen 15 percent since 1983. With the dollar higher against almost every foreign currency, the problem is worldwide, he said.

Scientific American's foreign distribution of its English-language edition, for example, dropped to 60,000 copies from around 70,000 copies nine months ago, according to William Yokel, circulation director. *Playboy* lost 35,000 copies in the last two years and is down to a foreign distribution of 200,000, reports its circulation director, Richard Smith.

"What's principally happening is that with the strength of the dollar, an importer has to pay more for American magazines and therefore has to put a higher cover price on them, which affects sales," explains Yokel. In Australia, for example, the cover price of *Scientific American* is up to an equivalent of $5.50 rather than its $2.50 selling price in the United States. Distribution has dropped from 10,000 copies a month to 5,500, according to Yokel.

The problem is compounded in certain countries that suffer from runaway inflation--South Africa and Israel, for example—and in the Latin American countries, where the drop in energy export prices has left them critically short of American dollars. There, imports of all products, including publications, have been sharply curtailed, distributors explained. "For more than a year, we've been sending less than half of our normal shipments of copies to Mexico, with the expectation that we'll ultimately get paid. In Brazil, we're down to less than 400 copies a month from 1,000," Yokel reports.

"Some people are saying American magazines will drop right out of existence in some countries" adds Curt Rome, director of mass market sales for Feffer and Simons Inc., a large distributor.

Distributors and publishers say that it is in the general interest categories, where readers can find ready substitutes, that magazine exports are being hurt the most. Specialized magazines, such as computer or academic titles, are not suffering as much.

(Although the distributors who spoke to FOLIO were not as familiar with how subscription sales abroad have been affected by the dollar's strength, Yokel said that his subscriptions were down overall about 5 percent, with the drop steeper in Latin America. Subscription sales tend to be technical, educational or business publications that are not so easily substituted, Pardo pointed out, and therefore sales are not as volatile.)

To counteract the decline in sales of American magazines, many importers are replacing U.S. titles with British magazines, especially for distribution to the continental European countries, sources reported. This is particularly true of the computer titles, they said. Some wholesalers are also simply cutting out distribution of smaller-sale titles, added Yokel.

Distributors are also putting pressure on publishers to make price concessions. "As representatives, we are trying to convince publishers to reduce their billing price or pay part of the cost of transportation," responds Rome of Feffer and Simons. "We've had some limited success in doing that."

"Those publishers who sell advertising on the basis of their international circulation have more of a stake in foreign sales and do more to keep their numbers up," observes Pardo. "Those who are in there for just the foreign sales are not so willing to absorb more costs."

Scientific American has so far held out against increasing its discount to distributors, Yokel said, but he fears it may be forced to do so in order to hold onto its foreign markets. "My experience is that wholesalers will take the better wholesale price to up their bottom lines and not cut the cover price," he grumbles.

One distributor suggested that the problem may move more publishers to set up licensing agreements with foreign publishers. Instead of selling copies that have been published in the United States in foreign markets, they may decide to license their name to a foreign publisher to produce essentially the same product, either in English or in the country's native language. Some publishers—*Playboy, Cosmopolitan, Reader's Digest* and *Scientific American* among them—have successfully developed such international editions.

International distributors report bad news

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Alan Pardo, president of Boarts International, queried foreign distributors in August about the effect of the strong dollar on magazine sales in their regions. Above are examples of the Telex replies he received.